EXHIBIT 4

S&P Global
Market Intelligence

Sprout Social, Inc. NasdaqCM:SPT

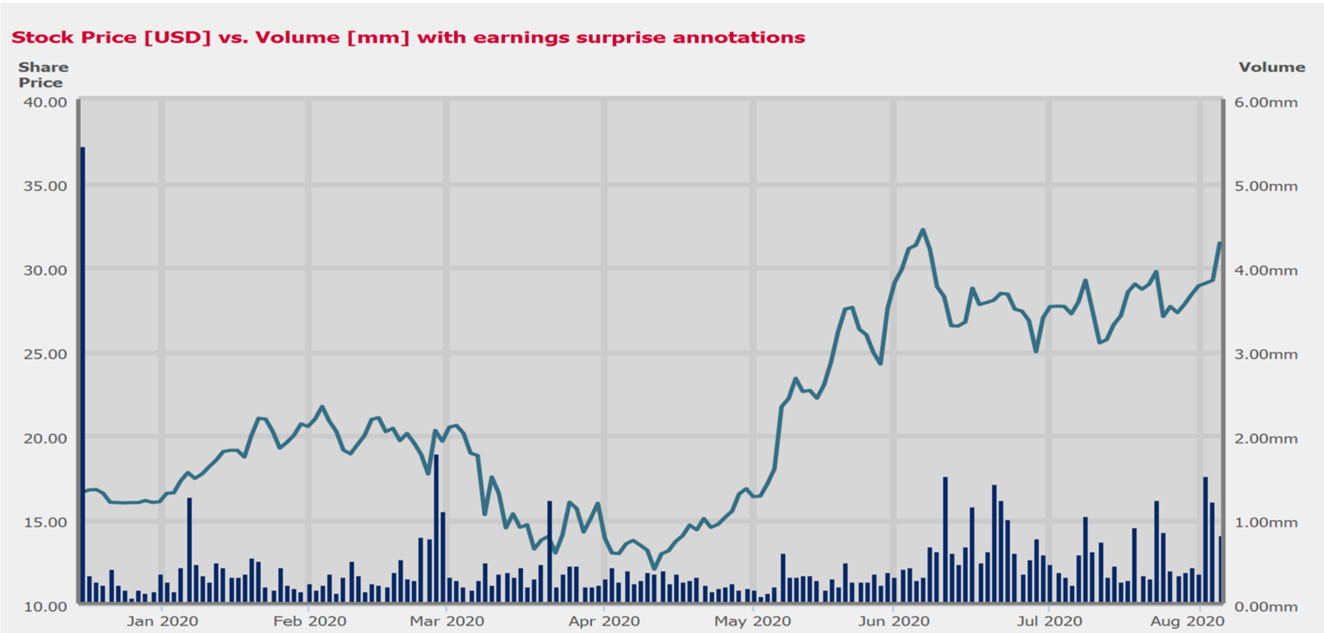
FQ2 2020 Earnings Call Transcripts

Wednesday, August 05, 2020 9:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2020-			-FQ3 2020-	-FY 2020-	-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	(0.15)	(0.11)	NM	(0.13)	(0.52)	(0.38)
Revenue (mm)	31.18	31.40	▲0.71	32.18	128.05	163.85

Currency: USD
Consensus as of Jul-23-2020 5:30 PM GMT



- EPS NORMALIZED -	CONSENSUS	ACTUAL	SURPRISE
FQ4 2019	(0.34)	(0.25)	NM
FQ1 2020	(0.21)	(0.14)	NM
FQ2 2020	(0.15)	(0.11)	NM

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Call Participants

EXECUTIVES

Jason Rechel
Head of Investor Relations

Joseph M. Del Preto
CFO & Treasurer

Justyn Russell Howard
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Ryan Paul Barretto
Senior Vice President of Global Sales

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BTIG, LLC, Research Division

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Robert W. Baird & Co. Incorporated, Research Division

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Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to Sprout Social's Second Quarter 2020 Earnings Conference Call. [Operator Instructions] Please be advised that today's conference is being recorded. [Operator Instructions]

It is now my pleasure to introduce Head of Investor Relations, Jason Rechel.

Jason Rechel
Head of Investor Relations

Thank you, operator, and welcome to Sprout Social's Second Quarter 2020 Earnings Conference Call. We will be discussing the results announced in our press release issued after the market closed today. With me are Sprout Social's CEO, Justyn Howard; CFO, Joe Del Preto; and Senior Vice President of Global Sales, Ryan Barretto.

Today's call will contain forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements concerning financial and business trends, our expected future business and financial performance and financial condition, our guidance for the third quarter of 2020 and the full year 2020 and can be identified by words such as expect, anticipate, intend, plan, believe, seek or will. These statements reflect our views as of today only, should not be relied upon as representing our views at any subsequent date, and we do not undertake any duty to update these statements.

Forward-looking statements address matters that are subject to risks and uncertainties that could cause actual results to differ materially. For a discussion of the risks and other important factors that could affect our actual results, including potential disruption from COVID-19, please refer to our annual report on Form 10-K filed with the Securities and Exchange Commission, our quarterly report 10-Q to be filed with the SEC and our other periodic filings with the SEC.

During the call, we will also discuss certain non-GAAP financial measures, which are not prepared in accordance with generally accepted accounting principles. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measure is included in our earnings press release, which has been furnished to the SEC and is also available on our website at investors.sproutsocial.com.

And with that, let me turn the call over to Justyn.

Justyn Russell Howard
CEO, President & Director

Thank you, Jason, and good afternoon, everyone. Thank you for joining us.

A lot has happened since we were together last, and the second quarter of 2020 was more turbulent than any of us would have guessed. Despite numerous macro issues, Sprout was fortunate to deliver a strong quarter across the board. We're grateful to our team for continuing to elevate our business and our customers while facing these issues head-on. Our strong performance speaks to the fabric of this company, our resilience, the importance of our platform and our conviction about the opportunities ahead.

Last quarter, we shared performance details from the limited period of time since COVID began. With a full quarter of data under our belts, we've seen consistent trends and further confidence in our models. We are pleased with the results, which exceeded the high end of our guidance range across all metrics.

While we don't yet know the duration or depth of the pandemic, we know that our team is stepping up across the board and has handled the transition remarkably well. We also know that digital transformation is becoming a top priority for brands across the globe. Social communication remains mission-critical and

is more important than at any time in our company's history, and we're perfectly positioned to help our customers lean into this new reality.

In addition to the pandemic, we also saw critical social issues rise to the forefront in the second quarter. We were all reminded of the profound and systemic racial inequality that persists and the importance of being an active participant in dismantling those injustices. We believe that Black lives matter. We collectively stand against racism and racial inequality. We have a responsibility to our people and our communities to not shy away from these efforts and to put our resources behind them.

While grappling with the pandemic and exceeding expectations across the business, our team also spent time in service of our communities, raised money for social and racial injustice and took action to further our ongoing diversity, equity and inclusion efforts as an organization. This has long been a focus and priority for Sprout. But like all aspects of this company, we measure ourselves by the work left undone. There's more to do, and we will.

Shifting to operational highlights. Our key metrics accelerated through the quarter, and we have confidence in our ability to perform at the high end of the expectations that we shared with you in May. We saw meaningful acceleration across all key metrics in June as our sales cycles caught up to the top-of-funnel inflection we outlined during our last call. We better understand our baseline and have further conviction around increasing our investments in growth throughout the remainder of 2020.

We've also seen more evidence that our business, platform and go-to-market strategy are set up to thrive in the new environment we find ourselves in. Our sales model has always been primarily remote. Our distributed engineering teams have found a new gear, and our customers need a strong and agile partner more than ever before.

We delivered 28 material new features to our customers in the second quarter, up from 18 in the quarter pre-COVID. We also completed several substantial back-end projects, expanded our listening and analytics offerings and improved efficiency in how we build and support our platform. Since moving to remote work, we have more than doubled our output for customer-facing product releases relative to the 4-month prior period.

We've also set the foundation for significant product enhancements in the second half of the year and into 2021 and moved our Simply Measured migration into its final phases.

We told you in May that our trial and demo volumes were 24% and 14% higher, respectively, than pre-COVID levels. Volumes in each have since remained consistently at or above May levels, and top-of-funnel demand remains robust. Our marketing team is focused on delivering high-quality lead generation, thought leadership and sophisticated content focused on organic brand development and are hitting the sweet spot of the market with our organic and word-of-mouth channels as strong as ever.

Our brand awareness in both the mid-market and enterprise segments has increased by more than 30% relative to 2019. Indicative of both the strengthening quality of the funnel and growing urgency for brands to lean into social, our traffic-to-conversion rate has meaningfully improved since March, and we continue to see opportunities for optimization across the funnel.

We adapted to deliver our first remote Sprout Sessions Digital customer marketing event, which was an incredible success. We have more than 7,500 registered participants, roughly 50% more than planned, and we'll further enhance our digital engagements moving forward.

All of these factors are delivering a healthy funnel to our sales and success teams. Customers need to lean on capable partners to help make strategic digital transformations as seamlessly, efficiently and quickly as possible. Our customer lands are increasingly beginning with the full platform, which for us indicates stronger future expansion opportunity and considerably higher lifetime value.

Listening and premium analytics grew ARR well over 100% year-over-year during the second quarter, and we're excited about the trajectory of the multiproduct customer adoption story. Competitively speaking, our already strong internally tracked win rates increased significantly during the second quarter. In the

SMB, our win rate and net new ARR won each jumped to an all-time high, several standard deviations higher than the trailing 4-quarter average.

Against our primary mid-market and enterprise competitors, our win rate increased on average by more than 500 basis points relative to the trailing 4-quarter period. This has been a consistent trend. And as the global digital transformation has pulled forward by several years, we are increasingly confident we have the right technology and the right approach to lead our market.

Operationally, our people have adapted and are equipped to ensure that Sprout runs smoothly, whether we are fully remote, partially remote or in our offices around the world. We're remaining flexible with respect to our office reopening plans, though we do not intend to reopen offices during the third quarter. We're also excited by what we've seen during this transformation of work and continue to explore what our optimal work environment will look like moving forward.

I want to wrap up by saying that I'm extremely proud of our ability to adapt and continue to execute against our goals. As we celebrated our 10th anniversary in the second quarter, the culture we have thoughtfully built has been a driving force to keep our teams aligned and our business momentum on track. We now have more data that reinforces both the accelerating shift to social as a mission-critical communications platform and our ability to win the market with competitive advantages that stand out in this new and digital environment.

We believe our relentless focus on world-class products, the deliberate investments that we are making and our deep commitment to our people and our customers keep us well positioned to deliver durable growth through whatever environment persists into 2021.

And with that, I'd like to turn the call over to Senior Vice President of Global Sales, Ryan Barretto, who will walk through some of our customer success stories this quarter.

Ryan Paul Barretto
Senior Vice President of Global Sales

Thanks, Justyn, and thanks again to everyone for joining us today.

I'm really proud of the resiliency we saw from this team in Q2. We've been building trust with our customers through incredibly challenging times by getting them in the platform and providing immediate value. Coming off of a record-breaking month in June, we're very excited about the opportunity to build on this momentum into 2021.

Many of the current events transpiring are serving to accelerate the secular shift to social as a central communication channel for brands, and the shift increasingly includes things like social care, service, brand management and commerce. The need for brands to make long-term digital transformation has never been more urgent or important. Brands understand that they need to be part of the conversations happening on social, and they need a partner who can get them there faster and with unparalleled service and support. It's because of all these factors that our customers are increasingly making strategic investments in Sprout.

In Q2, inbound volume continued to exceed our expectations, and we're finding that the quality of this funnel is at least consistent with our historical averages.

Now we've been sharing that in the age of the user, the legacy software playbook has become antiquated. Further validating this message was a mid-July user satisfaction report from G2, which again placed Sprout as a category leader for social media monitoring in every single category reviewed relative to our primary competitors. The fact that we lead in every single category based on the feedback of thousands of customers speaks volumes. We're incredibly proud of this recognition and particularly encouraged by our strong leadership rating in the product direction category, which reinforces that we're very well positioned for the future.

This type of feedback is only possible when you can make your customers successful. In Q2, we had the opportunity to do just that for some amazing brands, including Verizon Media, Woolworths, NAACP, Eventbrite, Curaleaf, Bill.com, GitHub and Autodesk.

TUI, the largest travel company in the world, was one of those customers. Nicola Smith, their Social Media Marketing Manager, shared that when the global pandemic hit, they received customer queries at an unprecedented scale, and Sprout enabled them to get their teams up and running quickly with Sprout support going over and above when they needed it most. This helped TUI respond to over 500,000 customers in 3 months with a remote team of only 46 people. She went on to say that they couldn't have done it without Sprout.

Teach For America, an incredible not-for-profit focused on education and low-income communities, was another great story. Darcy Young, the Director of Social Media, shared that social is a really important tool that they rely on heavily to engage with their community. Sprout has helped them gain a much better understanding of who their audience is and what they're looking for. Aida Ruilova, Director of Brand Research, Analytics and Insights, explained that their ability to use Sprout to explore individual topics like brand health, coronavirus and school fall plans, and to provide key data that's easy to share has helped them present insights more regularly and efficiently.

Finally, Joanne Wilson from InterContinental Hotels Group had a helpful perspective on the ROI of social. As she explained, marketing budgets are under enormous pressure, and it's become more important to use economical channels to target potential guests. IHG chose to centralize on Sprout because it was an easy-to-use platform to manage over 100 social profiles in one place, and our reporting tools helped her to improve social ROI, which is critical when budgets are tight.

I couldn't be more impressed or grateful for the performance of our people at Sprout. We've delivered on our commitments to each other and to our customers. Our people have risen to the challenge and are operating at new levels of performance.

Whether it was dogs and meetups, virtual baby showers, fitness challenges or external speakers focused on mental health, our teams found new and creative ways to stay engaged, happy and productive. Our unique sales culture continues to separate us in the market. And in May, we were again named as one of Chicago's best places to work. Our strong employer brand continues to draw exceptional talent to Sprout, which has us well positioned to capitalize on the growth opportunities that we see through the second half of 2020 and into 2021.

With that, I'll turn it over to Joe to run through the financials. Joe?

Joseph M. Del Preto
CFO & Treasurer

Thanks, Ryan. I'll now walk you through our second quarter results in detail before moving on to guidance for the third quarter and full year 2020.

Total revenue for the second quarter was $31.4 million, representing 27% year-over-year growth. Excluding the impact from legacy Simply Measured, our organic revenue was up 35% year-over-year. Total ARR exiting Q2 was $130.8 million, up 27% year-over-year. Organic ARR was $129.4 million, up 35% year-over-year. We added 273 net new customers in Q2 to finish the quarter with 24,356 customers.

I do want to reiterate the COVID impact we discussed last quarter, including elevated SMB and agency churn during March and April. This has since not only subsided but reversed. Our net customer additions improved in May and were very strong in June as our sales cycles intersected with higher trial activity and lower churn, leading us to believe that customer addition trends troughed for us in April of this year.

During the month of June, we experienced our lowest number of monthly customer and total MRR cancellations of any month over the past 2 years. The number of customers contributing more than $10,000 in ARR reached 2,544, up 54% from a year ago and up from 2,404 in Q1 2020. Similar to strong overall customer additions, we have begun to see more customers than ever before land on our entire platform as social proliferates throughout the organization.

In discussing the remainder of the income statement, please note that unless otherwise stated, all references to our expenses, operating results and share count are on a non-GAAP basis and are reconciled to our GAAP results in the earnings press release that was just issued before this call.

In Q2, gross profit was $23.3 million, representing a gross margin of 74%. This compares to a gross margin of 75% a year ago and 74% last quarter. Sales and marketing expenses for Q2 were $13.5 million or 43% of revenue, down from 47% a year ago. We expect to continue to focus on optimizing our sales and marketing spend while selectively accelerating hiring with a focus on the enterprise and mid-market segments.

Research and development expenses for Q2 were $7.3 million or 23% of revenue, down from 26% a year ago. We are particularly excited about the ability to continue to invest while also improving efficiency and new product development as we complete the Simply Measured migration.

General and administrative expenses for Q2 were $8.4 million or 27% of revenue, up from 24% a year ago. This growth was primarily a function of public company expenses, which we did not have in Q2 2019. We expect general and administrative expenses to decrease as a percentage of revenue as we continue to scale our operations.

Non-GAAP operating loss for Q2 was $5.9 million or a negative 19% operating margin. This compares with a negative 23% operating margin a year ago. We outperformed our expectations due primarily to revenue outperformance and the timing of certain marketing expenses, which were shifted from Q2 to Q3.

Non-GAAP net loss for Q2 was $5.8 million for a net loss of $0.11 per share based on weighted average shares of common stock outstanding compared to a net loss of $5.5 million a year ago.

Turning to the balance sheet and cash flow statement. We ended Q2 with $129.5 million in cash, cash equivalents and marketable securities, down from $137.4 million from the end of Q1 2020. Deferred revenue at the end of the quarter was $35.5 million. Again, both our billed and unbilled contracts, our remaining performance obligations, RPO, totaled approximately $50.9 million, up from $47.5 million exiting Q1 2020 and up approximately 63% year-over-year. We expect to recognize approximately 86% or $43.8 million of total RPO as revenue over the next 12 months.

Operating cash flow in Q2 was negative $4.0 million compared to negative $2.6 million a year ago. Free cash flow was negative $4.5 million in Q2 or negative 14% free cash flow margin compared to negative $2.8 million and negative 11% free cash flow margin a year ago. We had anticipated that COVID would adversely impact cash flow due to customers' ability to meet contractual payment terms, which ultimately did not materialize to the degree that we expected.

Moving on to guidance. For the third quarter of fiscal 2020, we expect total revenue in the range of $32.9 million to $33.0 million or a growth rate of roughly 25%. We expect our organic growth rate to be mid- to high single-digit percentage points faster than our reported growth rate as we sunset Simply Measured.

We expect non-GAAP operating loss in the range of $7 million to $6 million. We're continuing to invest in our long-term growth. In certain areas, we see opportunities to accelerate the pace of investment, most notably in product and enterprise and mid-market segment. We've begun to see an improvement in marketing efficiency, which is an encouraging indicator as we look forward. Historically, our free cash flow margins have been a couple of hundred basis points better than our operating margin. However, during Q3, we are moving forward with our new office build in Seattle and expect to pay a onetime cash cost of $1 million, which will adversely affect our quarterly free cash flow.

And looking into Q4, where we do typically see seasonally strong contract renewal, the cash flow impact is typically realized during January or February of the following year. We expect a non-GAAP net loss per share between $0.14 and $0.12, assuming approximately 50.6 million weighted average basic shares of common stock outstanding.

For the full fiscal year 2020, we now expect total revenue in the upper half of the range we provided for you in May. This implies revenue in the range of $128 million to $130.5 million. At the midpoint, there's an expected overall reported growth rate of 26%, up from our prior midpoint of 25%. At the midpoint of

our new guidance, we now expect our 2020 organic growth rate to be approximately 33%, up from a prior estimate of greater than 30%. Given the strengthening in our business through Q2, we are increasingly optimistic that our metrics bottomed in April. We do, however, remain cognizant of the risks that remain in our business in the context of a broader economic recovery.

For 2020, we expect non-GAAP operating loss in the range of $27 million to $25 million compared with our prior range of $28.3 million to $25.3 million. We are continuing to invest for our long-term growth while delivering multiyear profitability leverage. We are beginning to accelerate hiring during Q3 and anticipate higher marketing expenses given the higher returns we have seen since April.

We also want to maintain flexibility around office reopenings and expenses that may occur as we shift back to physical presence. We expect a non-GAAP net loss per share between $0.53 and $0.49 compared with a prior range of $0.55 and $0.50, assuming approximately 50.6 million shares.

In summary, and as Justyn and Ryan have discussed, the opportunity to help customers manage their social channel has never been more mission-critical. We are uniquely positioned to capitalize on the opportunity for multiyear growth. Our strong balance sheet and prudently managed cash flow give us high degree of confidence to continue to make balanced investments that will enable us to achieve our potential in the years ahead.
With that, Justyn, Ryan and I are happy to take any of your questions. Operator?

Question and Answer

Operator

[Operator Instructions] And our first question comes from the line of Alex Kurtz with KeyBanc Capital Markets.

Alexander Kurtz
KeyBanc Capital Markets Inc., Research Division

Congrats on a good quarter here in a really kind of dynamic, quickly evolving market. So just on the SMB churn, it seems like you're pretty confident about the trends you saw through the quarter. I guess my first question is, were you seeing churn improvements sequentially through the June quarter and into July? That's the first question.

And then on this ACV disclosure in the deck, can you just give a little more detail about what that pertains to, just how you calculate that? That would be helpful.

Ryan Paul Barretto
Senior Vice President of Global Sales

This is Ryan. On the SMB side of the house in terms of sequential churn improvement through the quarter heading into next quarter, we did see really positive trends. The worst of what we saw happened in April, and you heard a little bit about that from us on the call that happened in May. But as the quarter continued, we saw really good progress within that SMB segment, strong land-and-expand opportunities from SMBs, and that led right into the beginning of Q3.

So feeling really good about the position that we have across all of our segments, but specifically in SMB.

Joseph M. Del Preto
CFO & Treasurer

And then, Alex, just to the second part of your question on the ACV calculation, it's just the ending ARR divided by ending customer count.

Operator

Your next question comes from the line of Arjun Bhatia with William Blair.

Arjun Rohit Bhatia
William Blair & Company L.L.C., Research Division

Congrats on the quarter. I want to touch on the dynamic you mentioned with customers landing with the whole platform. Certainly, great to see that. One of the things that we had talked about in the past is the extensibility of the platform and how it can be used across various departments, in R&D, product development, et cetera.

Just curious if you're seeing that kind of expansion across other use cases in this environment. Or are customers right now still generally focused on the most immediate need in marketing and customer service?

Ryan Paul Barretto
Senior Vice President of Global Sales

Thanks, Arjun. This is Ryan. Yes, I mean it's a little bit [indiscernible] today. It certainly does [indiscernible] majority of the time with the marketing department in terms of thinking about listening and listening data as they think about their content strategy, their brand strategy, but you're also seeing many organizations have that spread into thinking about competitive positioning, which ties into not just marketing but sales as well as product and really trying to figure out what people are saying about products in market and what people are saying about competitive products. So I would say that

still happens a lot in marketing. But depending on the organization, you're seeing it in many other departments as well.

Arjun Rohit Bhatia
William Blair & Company L.L.C., Research Division

Great. And then a quick follow-up. It was nice to hear that some of the win rates competitively being at those historic high levels. Can you maybe just dig into that a little bit? What's driving that? Are you kind of seeing a culmination of your product strategy? Or are there any changes that you made in the go-to-market side that are really behind those -- that win rate acceleration?

Ryan Paul Barretto
Senior Vice President of Global Sales

Yes. It's actually a lot of the same. So I mean we've talked about the fact that we've really led with the product, right? Speed matters in our environment, especially right now, as we saw customers that need social have an urgent need in this market. And the fact that they're able to get into our product through the free trial, test it out before they actually sign a contract to commit to us, is a big differentiator for us. And so we're doing that across the board from SMBs to enterprise companies, and we're doing that with our most sophisticated products, right, not just the publishing and engagement, right up into analytics and listening. So that continues to be one of the major differentiators for us.

I would also just add that just the way that the product has been built, usability that goes into it and the innovation that we continue to see has been a difference maker for us. Justyn talked about the fact that we delivered 28 new features this past quarter. Our customers see and feel that. And oftentimes, they're seeing it while they're in the trial. And I think those 2 things combined have really led to the continued success we've seen from a competitive standpoint.

Operator

And our next question comes from the line of Chris Merwin with Goldman Sachs.

Christopher David Merwin
Goldman Sachs Group, Inc., Research Division

Congrats on the great results. I wanted to ask a bit of a follow-up to one of the prior questions about expansion. It looks like ARPC grew healthy double digits again, and I think you talked about delivering some 28 new features this quarter. So as it relates to cross-sell in particular and less about upsell, which I know was asked before, but about cross-sell, are you starting to see better uptake of some new modules. I guess, like listening, in particular? Just curious like what that has looked like as we're in this more challenging environment.

Ryan Paul Barretto
Senior Vice President of Global Sales

Yes. Thanks. This is Ryan. It's continued to be really strong. I mean even in this challenging environment, one of the things that really stands out is the need for data and to use that data to make business-driven decisions. And so the insights that our products offer, both on the premium analytics and listening, enable our customers to really understand what's happening, not just with their social profiles and their social presence, but what's happening with the external voice of the customer through listening to social data.

And so we've seen really strong attachment rates, especially in our mid-market and enterprise space with these products. So continued growth there, even in a market where you would expect that budgets are really constrained and customers are scrutinizing their purchases.

Christopher David Merwin
Goldman Sachs Group, Inc., Research Division

Got it. And maybe just a follow-up on the kind of hiring plans. I mean it seems like the demand overall for the category is really healthy. You've got the tailwind of companies needing to digitally transform,

particularly when it comes to communicating with their customers via social. So anything you can share about plans for any more aggressive pace of hiring on the sales front? Just curious how you're thinking about managing that from -- for the rest of the year.

Justyn Russell Howard
CEO, President & Director

Yes. This is Justyn. I -- definitely thinking about -- for the second quarter, we focused a lot on some opportunistic hires in key areas, but really wanted to be mindful of how things were going to shake out for the quarter, how those trends were going to hold to what our assumptions were. But we feel like we're firmly on solid ground in terms of we've seen those trends play out the way that we expected. We understand what the rest of the year is going to look like, and we can get back into an aggressive posture in terms of hiring and investments across the business. So you'll see a lot of that on the sales and success sides of the organization. But across the entire organization, you'll see a ramp-up in hiring from us.

Operator

And our next question comes from the line of Rob Oliver with Baird.

Robert Cooney Oliver
Robert W. Baird & Co. Incorporated, Research Division

Great. So Justyn, one for you and then I just had one follow-up. So obviously, seeing really nice growth in customer over $10,000 metric. I'm just curious if you're seeing that land start to be a multiproduct land or is it still too early for that? And then I had a quick follow-up.

Justyn Russell Howard
CEO, President & Director

Yes. So I think that we're definitely seeing the trend with ACVs, both in our existing customer base and our new customers, growing nicely, and that's a function of -- in both cases. In some cases, it's organizations are spreading social further across the organization. They're bringing more use cases into Sprout, et cetera. But oftentimes, and probably most often, that is the additional expansion into listening, analytics, reputation, et cetera.

So on both sides of the business, existing customers and new business, I think that trend has been continuing to pick up. And we are seeing certainly -- and I think this has been consistent for probably the last 2 to 3 quarters where we're seeing just this continuous lift in new business, new customers that are landing with more than just the core platform, in some cases, the entire offering, and we'd like to see that trend. We especially like how that trend is playing out in May and June.

Robert Cooney Oliver
Robert W. Baird & Co. Incorporated, Research Division

Great. That's really helpful. And then just as a follow-up maybe for you, Justyn, or perhaps for you, Ryan. I just wanted to ask a broader question about commerce. I mean Twitter, obviously, key partner and platform for you guys. They're looking at alternative revenue streams, and it seems commerce is likely a part of that. Pinterest, strong commerce-focused, and that's, I think, driving a lot of shareholder interest in that one.

So just wondering the extent to which you guys are starting to see that manifest in some of that improved pipeline and improved business trends that you guys saw in June or is it still a little earlier? Or is that sort of a focus for your customers as they kind of prepare for this new normal?

Justyn Russell Howard
CEO, President & Director

Yes. So I think people are definitely thinking about it, our customers, whether they've been kind of tuned in to the social -- the commerce aspects of social, previously or not, it's kind of on everyone's

mind. I think it's probably early to start seeing that both in our business and in the networks businesses themselves, but I think that you're going to see that pick up steam pretty rapidly.

And for us, I think there's 2 orders of impact. The first is every part of business that moves to social is something that we love to see. As more business is conducted, as more commerce is happening in social channels, that requires engagement and follow up and support and publishing and all of the things that our customers do with our platform.

But the second order impact there -- or maybe swap those, the first order is that we will need to be thinking about and are talking with our network partners about what are the tools that our platform look like that are going to support that. So indirectly through the increased engagement, volumes and just all of the things that this is going to bring into the social channels, but more directly in terms of measurement and publishing and tracking and other aspects of social commerce, how can we help them be successful with those efforts, and those are ongoing discussions.

Operator

And our next question comes from the line of Tom Roderick with Stifel.

Thomas Michael Roderick
Stifel, Nicolaus & Company, Incorporated, Research Division

So Justyn, I'm going to just build on that last one a little bit. And I know this isn't directly related to your business, but I'm sort of interested in the trickle-down effect here of what happened there with the Facebook ad boycott. So could you just take a moment to address sort of the broader impact of that ad boycott on the social media management space? I mean, obviously, Sprout doesn't have any direct exposure to ad placement, but it would seemingly sort of emphasize the importance of your customers and various brands out there with how they want to sort of sprinkle their dollars around and be on multiple platforms and engage with customers in a different manner than the traditional ad buy.

Can you just talk about what you saw out there and how that impacted perhaps other platforms and a desire to be on Sprout rather than a direct API methodology with one of those social media platforms themselves?

Justyn Russell Howard
CEO, President & Director

Yes. So I think as, I think, some of the data coming out of Facebook has suggested, I think the statement was a little bit bigger than the impact, at least that we saw in the second quarter in terms of what that meant to their business specifically. However, I think the more important thing that came out of that was just brands thinking hard about the organic versus paid aspects of their social efforts where they want to be owning those relationships through organic engagement, publishing, et cetera, versus advertising, what those channels might look like in the future as they decide to start shifting things around. So I think it put a bit of a spotlight or a microscope on how brands were thinking about that.

However, I think from a -- certainly from a Sprout perspective, I think we anecdotally see people lean into more organic activities, engagement in publishing. When there's any sort of contraction happening in the advertising space, it's a bit of a hitch, and that's something that works well in our favor. But I think the long-term impact and any material shift, whether to other platforms or other methods, is kind of yet to be seen. I don't know that, that event itself had the kind of impact that's going to dislodge anything meaningful yet. I think we'll see more of that probably over the next couple of quarters.

Thomas Michael Roderick
Stifel, Nicolaus & Company, Incorporated, Research Division

Yes. Good. Fair enough. That's great feedback. And then, Joe, a question for you. This is -- welcome to the joys of being a public company. We're 5 months into a pandemic. And my question now is going to be, why didn't you raise the high end of your guidance? But the quarter, fantastic. The tone, much, much, much better from where you guys were sitting 90 days ago. Any particular reason to kind of keep your --

keep 1 foot or a couple of toes on the brakes with respect to not raising the high end of the range as you think about your business improving and offering the full year guidance here?

Joseph M. Del Preto
CFO & Treasurer

Yes. I think for us, Tom, I think the biggest thing, as you know, we talked about this, is we saw an improvement in May and then a really strong June. And so I think we just want to see a little bit more of a track record than a couple of months. We're really confident in what we've seen so far. And so I think as we build confidence throughout the rest of Q3 and going into Q4, I think we'll have a better insight in whether or not those trends kind of continue, but that's probably the biggest driver. It's just getting a little bit more history for us, Tom.

Thomas Michael Roderick
Stifel, Nicolaus & Company, Incorporated, Research Division

Yes. And maybe a finer point on that question, Joe. It sounds like the trends through May and June are fantastic. I mean as the rest of the country has sort of hit some hedges in reopening and small businesses perhaps having some pockets of challenges, are you seeing anything in real time that gives you pause? Or is this just a very macro level, let's just see what the future holds?

Joseph M. Del Preto
CFO & Treasurer

Yes. We're not -- we don't see anything that gives us pause right now, Tom. I think it's more of a macro level approach, and we kind of talked a little bit about that on the call, but nothing is giving us pause right.

Operator

And our next question comes from the line of Stan Zlotsky with Morgan Stanley.

Haotian Li
Morgan Stanley, Research Division

This is Chris on for Stan. Congrats on the solid results and the 10-year anniversary as well. Quick question on -- you talked about conversion rates, and you talked about the top-of-the-funnel volumes being really strong and the quality of the funnel as well being up to par with historical averages. So can you just help us better understand like the -- what are you doing actively to both optimize the top of the funnel as well as the actual conversion process and making sure that your efforts are best utilized during this time?

Ryan Paul Barretto
Senior Vice President of Global Sales

Yes. Thanks for the question, Chris. This is Ryan. There's a few things. I think the first thing to note is we're pretty fortunate that we have a lot of data. We've been at this for a long time. We've always been a very heavy inbound model with a strong volume of trials and demos. And we were able to gather a lot of data on those trials and demos coming in, demographic data as well as usage data within the trials, and we're able to actually, based on the historical data, grade and score them. So we know exactly as things are coming in what the quality of those trials should look like based on our other customers and these looking like our past customers. And so that really helps our sales team figure out where they want to focus. It also gives us good direction on what we should expect in terms of conversion rate and revenue from that cohort of trials and customers.

Not only does it help the sales team in enabling the sales folks on where to focus, but it gives a lot of information back to the marketing team and understanding the types of campaigns we need to run and which sources we need to double down on or maybe pull back on. And so I think the headline for you here is there's a lot of data for us that we're tracking. We know exactly what we should be getting in terms of output based on the cohort of traffic and trials coming in, and then we're constantly tweaking the model to make sure that we're optimizing for growth.

Haotian Li
Morgan Stanley, Research Division

Got it. That's really helpful. And if I could ask a quick follow-on. So related to the premium module, I think you talked about listening and analytics seeing 100% ARR growth year-over-year, which is really encouraging to see, especially in this environment. Can you help us better understand like -- comments like that as well as just investing longer -- investing for the longer-term growth in the business? Does that longer-term growth involve more product development? Or is it more go-to-market-oriented? Basically, I'm trying to understand where are we in the, call it, like saturation of the premium modules within your existing customer base? And how much left there is to monetize with your current 3 premium modules?

Justyn Russell Howard
CEO, President & Director

Yes. This is Justyn. I think when we think about the levers that we're investing in and where the opportunity is in our business, there's a couple of different layers to that. I think the first is just the understanding that we have on how much green space there is still in this category and the fact that there are millions and millions of businesses that will be graduating and needing tools and a platform like Sprout. The second is as we start to expand our offering into some of those premium SKUs, those still being very early in their life, seeing the adoption that we have there. But those are still -- from a penetration perspective, even within our existing customer base, there's a lot of room left to run there.

When we think about how we model our growth and what the rest of this year and 2021 looks like, it's very much a combination of those things, with the core business contributing a large amount of that with the premium offerings that we have today continuing to climb and with anything else that we may bring to market or packaging pricing changes, et cetera, sort of being the third layer on that cake.

So to directly answer the question, I think we've got a lot of room left to run in terms of selling those into our existing customer base. We've also seen -- and we're really excited by the data in terms of our entire customer base adopting those, meaning it's not just the large enterprise customers that are investing in those tools. It's SMB. It's agency. It's mid-market, et cetera. So we've got the evidence that says that those things are applicable and beneficial across the entire customer base.

Now we've got to go and work on driving that adoption. But we're also seeing just even the number of seats on the core product continue to climb as social becomes more important to businesses, et cetera. So it's multidimensional and something that we feel really good about.

Operator

And our next question comes from the line of David Hynes with Canaccord.

David E. Hynes
Canaccord Genuity Corp., Research Division

I don't know if this is better for Justyn or Ryan. But as we see more kind of support desk-oriented tools embrace strategies around messaging, right, which obviously includes a lot of the social tools, how do you think about kind of the intersection of what they're providing and kind of the broader Sprout platform? I mean does that make those folks more competitive with you? Or is it just solving for a different need?

Justyn Russell Howard
CEO, President & Director

Yes. I mean I think the need is fairly different in that one of the premium -- the prime advantages of the Sprout platform is that we're giving our customers a place where all of the departments can work together in one platform. They really need visibility across not just what's happening on the customer service side, but on the marketing side in the community management and publishing, et cetera. Those things really need to be living together.

And we still see there are certainly organizations who their first or primary foray into social is customer service, and it may live in that department. But that -- those -- that focus, particularly from the folks that

have been focused on the messaging side, that's been pretty consistent for quite a while, and there's not as much overlap as when you think about the different use cases and the spread of use cases across the product relative to what the messaging platforms or the providers that are focused on the messaging side of things.

That's not to say that there's not some overlap. And certainly, our customers enjoy the ability to do all of that in one place.

David E. Hynes
Canaccord Genuity Corp., Research Division

Yes. Yes. Okay. That makes sense. And then, Joe, maybe a follow-up for you, and this is extra level of granularity. I wouldn't normally ask for it. But just kind of given the abnormal progression of how Q2 played out, any comments on how kind of customer adds came in during the quarter on a monthly basis? I mean is there any way to frame it 100%? Was it like 20%, 30%, 50%, April, May, June? Like what does the shape of the quarter look like in terms of new customer adds?

Joseph M. Del Preto
CFO & Treasurer

Yes. I mean, DJ, kind of following up on what we talked about in the call without giving out specific data, you can assume that April wasn't the strongest month, and we kind of talked about that, given the SMB and agency churn, on our last call. And then May, we saw that trend get better, and then June was really solid. And so I think that's kind of the way we're framing it without getting too much into the actual numbers.

Operator

And our next question comes from the line of Matt VanVliet with BTIG.

Matthew David VanVliet
BTIG, LLC, Research Division

I guess as you look in the quarter, you're seeing particular strength in those large deals on the enterprise side or even at sort of the larger mid-market. Do you feel like there was an acceleration from customers that were maybe thinking about bringing in a more advanced social media platform at some point this year or early next year that really pulled that forward from their own perspective and maybe how some of that played out in the pipeline, being able to close more deals as the rush to work from home and move everything as digital as possible played out in the quarter?

Ryan Paul Barretto
Senior Vice President of Global Sales

Yes. Thanks, Matt. This is Ryan. Yes, we saw some of that. But I would say it's -- there's a couple of different stories that go in there. One, for sure, in the enterprise and mid-market, there were a variety of customers where acceleration happen within the sales cycle. Deals that may have started being early in Q1 move faster into Q2 because of the urgency around COVID and the fact that for many -- most organizations, all doors were closed except social. And so we certainly saw acceleration there.

I would also say that there was other enterprises and mid-market organizations that saw an influx in needs, and that might be social care or the need to just better engage with customers. And the tools that they had today and the platforms they had today weren't cutting it. And so in those scenarios, again, having the trial, having the ability to prove to an organization and to practitioners that the product works and works very quickly was essential for being able to accelerate deals within the quarter. So definitely dependent on the organization we are working with, but there were quite a few opportunities to accelerate some pipeline in that mid-market and enterprise space.

Matthew David VanVliet
BTIG, LLC, Research Division

Got it. And then I think last quarter, you talked quite a bit about some big deals in the travel industry and highlighted InterContinental on the call today. But curious what you're seeing as this pandemic has really extended out, I think, a lot further than maybe expectations were at the time when we were all together last time, but just overall, kind of what some of the bigger travel and hospitality industry customers are now thinking as maybe their initial plans for when they might reopen or either pushed back or they're now at much lower capacity than they might have anticipated before. Are they relying on your platform even further to stay in communication with customers to understand what some of the trends in the market are? Or have any of them looked to maybe pare back on budgets across their spaces as their revenues decline pretty precipitously?

Ryan Paul Barretto
Senior Vice President of Global Sales

Yes, Matt. This is Ryan, again. So you had a few different things. So as you stated, all of these organizations, especially the hotels and anybody in hospitality or events or travel, there's a need to stay better engaged with customers right now. And everybody is paying close attention to what's happening in different pockets of the country and the world to make sure that they're up to speed with what is safe to do in terms of reopening and enabling customers to come back in or to engage with them. So they're using Sprout and our platform to stay better connected to make sure that they're putting messaging out on the platform but also responding very quickly to any comments or engagement coming in from social. That's continued to be really important.

They're also listening -- using our listening products to figure out the type of content that they should be delivering. And so one of the big hotel brands that we work with has actually been launching a new campaign, and that campaign is really driven off of data that they've pulled from social. And they'll be looking at the sentiment from that campaign that they're running to determine what kind of investments they make on both the organic and paid perspective as they continue to run it. So it's a variety of different things that these organizations are thinking about. But now more than ever, they need to stay connected to their clients and their community.

Justyn Russell Howard
CEO, President & Director

And this is Justyn. I'll just quickly add to that. I think that the reality that these businesses, particularly if they're not doing -- if they're not seeing customers face-to-face or if their businesses have been impacted over an extended period of time, to Ryan's point, this is, in a lot of ways, the only way they have to communicate with their customers. And if they want to be well positioned when things do open back up, they need to be top of mind, they need to be front and center, and they need to have been building those relationships during this time when they didn't have those people visiting their locations, visiting their stores, et cetera. So in a lot of ways, this is -- the best thing that they can be doing right now is maintaining those relationships until that -- those in person or other channel types of communications pick back up. And so it's really, I think, a hedge on the future. We've got to be more invested here than we ever have been.

Operator

I will now turn the call back over to CEO and Co-Founder, Justyn Howard.

Justyn Russell Howard
CEO, President & Director

All right. Cool. So want to thank everyone again for your time. We look forward to the conversations we'll be having and the time we'll be spending with you in the coming months. We are planning to spend some time with investors virtually as well as attending the KeyBanc technology summit and Canaccord growth virtual conferences in August.

And lastly, I want to thank our employees, our customers and partners for their hard work and support and for helping close a terrific quarter. We're grateful for the hard work and resiliency to support our team and to support our customers as we all work through these challenging situations together. On behalf of

the entire team, we also want to thank the frontline and health care workers who are keeping everything running. Thank you all, and we'll talk to you again soon.

Operator
Ladies and gentlemen, this concludes today's conference call. Thank you for participating, and you may now disconnect.